

## CHFA Finances the Purchase of Section 236 Loans from Fannie Mae

In a transaction being touted as an innovative financing strategy for preserving the affordability of HUD Section 236 Properties, CHFA issued taxable bonds to purchase \$274 million worth of these mortgages from Fannie Mae. In effect, the Agency swapped taxable bonds for mortgages, using the cash flow from the mortgages to make monthly payments on the bonds, while the mortgages serve as collateral for the bonds.

The transaction, which closed July 26, 2000, involved 279 projects with 23,300 units throughout California that are at risk of converting to market rate rental units. CHFA will work with the owners of the HUD Section 236 Properties to determine their eligibility for tax-exempt refinancing in conjunction with low-income housing tax credits to finance project rehabilitation. CHFA may also finance the sale of projects to nonprofits or others committed to preserving the properties as long-term affordable housing.

## CHFA Works to Preserve the Vista Del Monte Apartments in San Francisco

CHFA's first refinancing of one of the Fannie Mae Section 236 mortgages will be the Vista Del Monte project located in San Francisco.

The 104-unit Vista Del Monte project is at risk of being converted to market rate rental units and will be preserved through a sale of the property to the National Farm Workers Service

Center, a nonprofit corporation. The purchase is made possible through CHFA tax-exempt financing to the nonprofit in the amount of \$11.4 million and a second mortgage

of just over \$1.1 million, both approved by the CHFA Board in October, 2000. This project is also eligible to apply for Mark-up-to-Market rents from HUD which, if approved, will preserve Section 8 subsidies to the project for the next five to 10 years.

In addition to Vista Del Monte, five other projects with Section 236 Loans are in CHFA's pipeline, totaling \$90.8 million in loans, for the preservation of 1,266 units.

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## DIRECTOR CONNECTION

In this edition of the newsletter we had hoped to include good news for

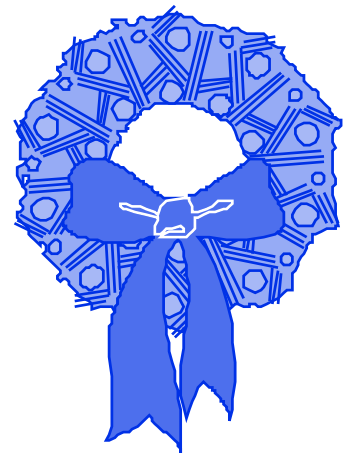


Other items you'll be able to read about include the recent reduction of interest rates for both taxable and tax-exempt financing; a truly special celebration to commemorate the preservation of the 700-unit El Rancho Verde Apartments in San Jose; information regarding the purchase of \$274 million of Section 236 mortgages from Fannie Mae; an update on special needs housing; the availability of funds to reimburse developers for school fee costs, and recent board actions.

you regarding securing passage of the bond cap and tax credit bill. As we go to press, we have neither a tax bill nor a new President. In 2001, we will vigorously renew our efforts on the bond cap and tax credit campaign, building upon the support we received this year from more than 80% of Congress.

And since this will be the last **CONNECTIONS** of the year 2000, please accept the heartfelt wishes of all of us here at CHFA that you and your loved ones enjoy a safe and happy holiday season.

I think you'll be pleased with the news offered in this edition of **CONNECTIONS**. We are proud to announce a new Director of Multifamily Programs, Linn Warren. Many of you know him and have had the opportunity to work with him in the past. I'm sure all of you will be as pleased by this appointment as we are here at CHFA.



Governor: Gray Davis

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## CHFA Appoints a New Director of Multifamily Programs

The CHFA Board of Directors, at its October meeting, voted unanimously to appoint Linn Warren as Director of Multifamily Programs. This is a new position that was created by the Board following the retirement of G. Richard Schermerhorn, former Director of Programs for the Agency, to reflect the responsibility and challenges associated with the aggressive business plan the Board has adopted for the Agency.

Mr. Warren joined CHFA in 1995 as its Chief of Multifamily Lending, the division that has issued loan commitments for 106 projects containing approximately 10,000 units with loans in excess of \$560 million. The Multifamily Lending Division has also developed a number of innovative programs in the areas of special needs, redevelopment area housing, tax credit bridge financing and preservation by closing the first HUD 236 IRP transaction in 1997, as well as recent Title II restructuring.

Prior to joining CHFA, Mr. Warren was involved in a wide



range of real estate activities, including rental and single family lending with commercial banks, loan and default management in the thrift industry, development of commercial real estate and title insurance underwriting. Mr. Warren graduated from the University of California at Santa Barbara with a degree in Business Economics.

*“We are pleased, proud, and extremely thrilled that you are our appointee as Director of Multifamily Housing”, said Clark Wallace, CHFA’s Board Chairman, during the announcement of Mr. Warren’s position at the October meeting.*

## Supportive Housing Initiative

The Supportive Housing Initiative Act (SHIA) is a State of California program for the benefit of disabled persons whose incomes are at or below the federal poverty level (20% of State Adjusted Median Income). The SHIA program awards three-year grants to cover the costs of support services.

The program was first funded in Fiscal Year 1999 with a \$1 million allocation of funds. The program’s Fiscal Year 2000 allocation was increased to \$26.1 million, with up to \$24 million available for new projects. SHIA will also award 15-year grants to pay for operating costs and rent subsidies. The Department of Mental Health is administering the supportive service grant program and HCD is administering the 15-year operating subsidy program.

CHFA’s Special Needs Affordable Housing Finance Program can be used in conjunction with SHIA funding. Since 1997, CHFA has offered 1% permanent financing for projects that serve 100% special needs residents, and 3% permanent financing for projects that reserve 40% or more of the units for special needs residents. CHFA also offers Loan-to-Lender loans and bridge financing for special needs projects at the same rates. CHFA defines “special needs” in terms of disability and requires that the developer commit to provide supportive services.

For more information, contact Kathy Weremiuk in CHFA’s Culver City office at (310) 342-1256.

### Multifamily Programs Announces Reduced Interest Rate Financing

In October, CHFA’s Multifamily Programs announced new lower interest rates for its taxable and tax-exempt rental housing development financing programs.

- ◆ 5.9% tax-exempt financing is now available for 30-year terms.
- ◆ 7.9% taxable financing is available for 30-year loan terms.

Visit CHFA’s website [www.chfa.ca.gov](http://www.chfa.ca.gov) for further program information or contact Multifamily Program staff at (916) 322-5124.



### ***Twenty-Five Years of Housing Californians***

*Hot off the press is CHFA's new 1999-2000 Annual Report, **Twenty-Five Years of Housing Californians**. To receive your copy, just check the **Annual Report** item on the attached business reply card. Perhaps in reading this report you will be prompted to think about projects you would like to do, but didn't know that CHFA could help you make them happen.*



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## Community Celebration Marks the Start of a \$116 Million Affordable Housing Preservation Project

Related Companies of California hosted an on-site "Community Celebration" Thursday, October 19, 2000, to mark the beginning of the preservation process for the 700-unit, El Rancho Verde Apartments located at 201 Checkers

Drive, San Jose, California. The preservation of the affordable housing complex represents a \$116 million interagency effort, including the largest-ever tax-credit investment by

the Federal National Mortgage Association (\$28.9 million) and is the largest ever tax-exempt bond investment by CHFA (\$73 million).



Other major investors include the City of San Jose Department of Housing, the US Department of Housing and Development, and the American Mortgage Acceptance Corporation. Syndication of the tax credits is being provided by Related Capital Company, an affiliate of the developer.

The preservation of El Rancho Verde represents far more than the preservation of 49 buildings on 37 acres; it means the continuance of affordable housing for 700 low-income families and more than 2,500 San Jose residents for the next 55 years.

A number of the project's tenants enjoyed an afternoon filled with BBQ, music, family and friends. Also on hand to enjoy the festivities were Ron Gonzales, San Jose's Mayor; San Jose City Council Member Manny Diaz; representatives for Senator Dianne Feinstein and US Congresswoman Zoe Lofgren; Tom Azumbrado, the Director of HUD's San Francisco hub office, Multifamily Programs; Philip Williams, the Director of Fannie Mae's Bay Area Partnership Office; Alex Sanchez, Director of the San Jose Housing Department; and Theresa Parker, CHFA's Executive Director.



# CHFA BOARD CONNECTION – August thru November 2000

<u>Name of Project/Location</u> <u>Name of Sponsor/Type</u>	<u># of Units</u> <u>Type/Credits</u>	<u>CHFA Loan Type &amp; Amount</u>
<b><i>Homestead Apartments</i></b> Sunnyvale, Santa Clara County By: Mid-Peninsula Housing Coalition <i>Preservation Loan</i>	222 Family 4% Credits	Tax-exempt loan of \$14,550,000 236 IRP Loan of \$1,777,035 <i>City of Sunnyvale</i> loan of \$1,500,000
<b><i>Runnymede Apartments</i></b> E. Palo Alto, San Mateo County By: Mid-Peninsula Housing Coalition <i>Preservation Loan</i>	78 Elderly 4% Credits	Tax-exempt loan of \$5,290,000
<b><i>Coronado Terrace Apartments</i></b> San Diego, San Diego County By: The Related Companies and Wakeland Housing & Development Corp. <i>Preservation Loan</i>	312 Family 4% Credits	Tax-Exempt and Taxable loans totaling \$16,500,449 236 IRP Loan of \$1,847,449
<b><i>Plaza Manor Apartments</i></b> National City, San Diego County By: The Related Companies and Camden Affordable Housing, Inc. <i>Preservation Loan</i>	372 Family 4% Credits	Tax-Exempt and Taxable loans totaling \$15,290,000 236 IRP Loan of \$2,099,770
<b><i>Vista Terrace Hills</i></b> San Ysidro, San Diego County By: The Related Companies and Wakeland Housing & Development Corp. <i>Preservation Loan</i>	262 Family 4% Credits	Tax-Exempt and Taxable loans totaling \$17,380,000 236 IRP Loan of \$1,895,527
<b><i>Thomas Paine Apartments</i></b> San Francisco, S. F. County By: Bethel-AME Church of S.F. <i>Preservation Loan</i>	97 Family 4% Credits	Tax-Exempt and Taxable loans totaling \$5,785,200 236 IRP Loan of \$819,744
<b><i>17<sup>th</sup> Street Commons</i></b> Sacramento, Sacramento County By: Capital Area Development Authority <i>Acquisition/Rehabilitation Loan</i>	29 Family	Tax-Exempt loan of \$1,419,000 <i>Sacramento Housing &amp; Redv. Agency</i> will make loans totaling \$788,000
<b><i>Saratoga Senior Apartments</i></b> Vacaville, Solano County By: St. Anton Partners LLC & Nehemiah Progressive Housing Corp. <i>New Construction Loan</i>	120 Elderly 4% credits	501(c)3 Tax-Exempt loan of \$5,730,000 <i>Vacaville Redevelopment Agency</i> will make a loan of \$566,0000
<b><i>Belvedere Place Apartments</i></b> San Rafael, Marin County By: Capital Area Development Authority <i>Acquisition/Rehabilitation Loan</i>	26 Family 4% credits	Tax-Exempt loans totaling \$3,497,000 <i>San Rafael Redv. Agency</i> will contribute \$759,333; <i>Marin County</i> will loan \$683,400; <i>Marin County Foundation</i> will contribute \$1,500,000.
<b><i>Vista Del Monte Apartments</i></b> San Francisco, S. F. County By: National Farm Workers Service Center <i>Preservation Loan</i>	104 Family	501(c)3 Tax-Exempt and Taxable loans totaling \$11,400,000 236 IRP Loan of \$1,173,250

# \$46 Million Available for the Rental Housing Development School Facility Fee Reimbursement Program

Under the terms of a new program passed by the Legislature and signed by the Governor, sponsors or developers of rental housing who agree to restrict rents and occupancy of a portion of their units to very-low income households for a certain period of time can receive reimbursement for 100% of eligible school facility fees. In 1998, the Legislature passed SB 50 (Ch. 407) which provided funding for the School Facility Fee Reimbursement, contingent upon the passage of Proposition 1(A), which was approved by the voters later that same year.

This program, administered by CHFA, is funded by the Department of General Services through December 2002. There is currently more than \$46.3 million remaining in available program funds.

In order to be eligible for the program, rental housing developments must be located within the State of California and costs must include School Facility Fees paid pursuant to Proposition 1A (1998) prior to, or concurrent with the permanent loan funding.

Finally, the developer must consent to the recordation of a Regulatory Agreement restricting occupancy of a small percentage of the units to eligible tenants at restricted rents for a period of 55 years. Calculations necessary to determine the number of regulated units are included in the Program Guidelines. Rental housing developers are encouraged to visit CHFA's website at [www.chfa.ca.gov/programs/multi/prop1a.htm](http://www.chfa.ca.gov/programs/multi/prop1a.htm) for additional program information, or contact us at (916) 322-5341 for written program literature.



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